

16 February 1962

MEMORANDUM FOR: WH-4

SUBJECT : Special Notes on the Alliance for Progress

1. There follow a number of informal comments on the reference paper prepared by members of the DDI area.

2. In general, we find the ideas in the reference paper just a little bit out of focus. Specific comments follow on a section by section basis.

Section I A: We believe that there is relatively little comparability between the Marshal Plan and the Alliance for Progress. Although both were adopted as a device for combating communism, the economy and the people affected by the two plans are completely different and the relative effect of economic as opposed to political and sociological considerations will probably also be vastly different.

Section I B: We are thoroughly in agreement that the Alliance for Progress should not seek to impose any pre-conceived ideas of economic system on the area and that it should encourage needed social reforms. On the other hand, we think the paper gets into rather dangerous ground when it tries to illustrate that the United States has a mixed economy. It attempts to point with pride to the government-owned (i.e. "socialist") sector of the American economy. I don't know where the paper got its figures for the assets owned by the US and the relation of this figure to the capital assets of the Soviet Union, but the paper is completely wrong in stating that the US Government's assets are greater than the "wealth of the entire 'Socialist Motherland'." The US gross national product is well in excess of 500 billion dollars a year and Soviet gross national product is currently estimated at about 45 percent of that figure. The figure cited by the paper

as the value of federally-owned real estate and personal property would therefore approximate the value of goods and services produced by the Soviet Union in one year.

Another objection to this line of argument would be that the figures are so big that it might look like America boasting at our immense wealth and that the point we were attempting to get across might be missed entirely.

Section I C: We agree that privileged groups in a number of Latin American countries are an obstacle to the success of the Alliance for Progress.

Section I D: We agree that non-Governmental groups might be able to assist in bringing about reforms needed in Latin America. US Labor organizations would be particularly effective in influencing counterpart organizations. They might have more trouble in convincing business executives who are not used to the type of business-labor relations that exist in the US.

Section II A: Cuban military equipment, in spite of its quantity is essentially defensive in nature and would be useful in an offensive role, mainly at the level of guerrilla warfare. We should be careful to avoid over-stressing the idea of overt Cuban military action against other Latin American countries when the subversive danger is likely to be the greater of the two.

Section II B: Insofar as the point covered in this section relates to economic warfare against Cuba, I believe that we can do a more systematic job of analyzing what such measures should involve. In the broader context of economic steps to assist the Alliance for Progress, we have a number of additional points to suggest:

a. A number of Latin American countries have complained for many years of excessive fluctuation in the prices of raw materials exported by them during a time in which the prices of the materials imported by them have been rising steadily. This is a real problem for many Latin American countries, and some scheme for giving them a guarantee of a relatively favorable and stable income from their exports would go a long way toward getting their confidence and might in turn permit them to develop more realistic plans for investment on their own initiative.

b. The large scale purchase of the output of their infant industries, such as textiles, would also impress Latin American countries and encourage further development of a diversified

economic base.

c. One of the best and cheapest ways of having a major impact would be to send qualified teachers to Latin America and subsidize older students to keep them in school. Education has considerable prestige value in Latin America, but the area is generally short of well qualified teachers at the university and graduate school level in many scientific and technical fields. This includes such subjects as economics and sociological where Marxist thinking has an excessive influence.

Section II C. No comment.

WILLIAM A. TIDWELL  
Assistant to the DD/I (Planning)